

City Council Committee of the Whole
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Five Year Plan Testimony
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Good morning, Council President Clarke and members of City Council. My name is James Engler, Chief of Staff to Mayor Kenney, and I am here to testify in support of the Mayor's Proposed Five-Year Plan, along with all the supporting budget and revenue bills that were proposed on April 15, 2021. Joining me today are Finance Director Rob Dubow, Budget Director Marisa Waxman, and Cabinet members and Department heads from across the Administration.

The FY22-26 Five Year Plan builds upon what we learned during the recent tumultuous year while continuing to work towards a vision for true and lasting equity to support:

- Quality education for all
- A safer and more just Philadelphia
- Health equity for all
- Inclusive economy and thriving neighborhoods, and
- Diverse, efficient, and effective government.

To achieve this vision, the City made changes to improve the budget development process. The City conducted outreach efforts to people inside and outside City government, with a specific focus on reaching more Black and Brown Philadelphians. We conducted a multilingual online survey with over 13,000 responses, and more than a dozen focus groups, giving more people a way to share their recommendations on the City's revenue sources and spending priorities. The City is committed to making improvements to its engagement process in the future.

The resilience of our City has been on full display this past year as we have battled the COVID-19 pandemic and resulting \$750 million budget gap in FY21. We swiftly launched new programs and expanded existing ones to provide immediate assistance to meet the needs of residents, nonprofits, and small businesses. The Administration remains committed to helping all Philadelphians confront the challenges grounded in economic and racial inequities that have been exacerbated by the pandemic. Many of the initiatives started or expanded in the pandemic will continue in FY22-26 as the long tail of the pandemic endures.

Faced with a second year of pandemic-related budget deficits, the Administration has made difficult decisions to maintain positive fund balances throughout the FY22-26 Five Year Plan. While this Plan still reflects hard choices, those decisions were much less painful thanks to the passage of President Biden's American Rescue Plan (ARP). The Rescue Plan provides \$1.4 billion in funding to the City, with all funds needing to be spent by December 2024. The City will also receive targeted grant funding through the ARP for vaccine-related activities, testing (including for the safe reopening of schools, most of which will go to the School District), emergency rental assistance, housing and supportive services for homeless populations, and relief and payroll support for airports. Other local public entities, such as the School

District of Philadelphia, Community College of Philadelphia, and SEPTA, are also projected to receive grant funding through the ARP.

This federal relief is critical for replacing lost revenue, avoiding layoffs, and to support core government services and pandemic response efforts. Still, budget balancing actions, like targeted spending reductions for some back-office services and deferred investments for service and infrastructure enhancements planned pre-pandemic, are necessary in FY22 and beyond as the City was facing a \$1.5 billion gap through FY26 without the federal relief. Even with these constraints, we expect the programs supported will have a meaningful, positive impact on Philadelphia.

Quality Education for All

Mayor Kenney remains deeply committed to public education and is proposing to invest more than almost \$1.4 billion over the life of the FY22-26 Five Year Plan to the School District of Philadelphia, in addition to local tax revenues that supports the District. FY22 includes a \$255.9 million grant for the School District of Philadelphia. This funding is in addition to \$1.3 billion the School District is receiving from the American Rescue Plan, providing critical relief and fiscal stability.

Another key education priority is a more accessible and affordable community college. This is exhibited through expansion of the Catto Scholarship with \$54 million invested over the life of the Five Year Plan. In addition, the Administration also proposes a further \$196 million over the Plan to cover critical operating and capital investments at CCP.

The Mayor's commitment to expand high quality PreK and growing community schools is continued in FY22, thanks to revenue provided by the Philadelphia Beverage Tax. These programs offer Philadelphia's children early learning fundamentals and community-based, wrap-around supports, key components in achieving quality educational outcomes. Educational opportunities are also supported through ongoing funding for the Free Library of Philadelphia, with a \$2.9 million increase in FY22 to bring total funding to \$42.6 million, enabling a return to five-days a week service throughout the city, resuming the after-school LEAP program and supporting diversity, equity and inclusion training for staff and leadership, including the boards of the Free Library and the Free Library Foundation.

Safer & More Just Philadelphia

Transforming Philadelphia's criminal justice institutions to address racial injustice, reduce gun violence, and invest in community safety and wellbeing remains a top priority for Mayor Kenney. In FY22, the investments in anti-violence programs will more than double, with roughly \$18 million more invested in new and expanded programs targeted at residents most vulnerable of committing or being a victim of violence.

Spurred by the lessons of the officer-involved shooting of Walter Wallace Jr., the Mayor has prioritized investments in enhanced training and rapidly bringing to scale services provided to residents experiencing a behavioral health crisis when calling 911. The Managing Director's Office and Department of Behavioral Health and Intellectual disAbility (DBHIDS) will receive funding for a package of measures that safely support people in crisis, including \$13.2 million for 24/7 citywide 911 triage and alternative response, and \$750,000 for expanded training for police officers to have the tools and skills to make positive decisions when put in difficult situations.

In partnership with City Council, the Administration will launch the new Citizen's Police Oversight Commission to restore public confidence, review citizens' complaints, and create better police-community interactions.

The Office of Criminal Justice and Public Safety in the Managing Director's Office will receive additional funding in FY22 to invest in evidence-based gun violence reduction interventions, supported by assessments and evaluations. These include:

- \$1.3 million to expand violence interruption programs like Group Violence Intervention and expanded Police Assisted Diversion.
- \$2 million in transitional jobs programs to remove barriers to employment including adopting a promising initiative called READI Chicago engaging individuals who are most highly impacted by gun violence and connecting them to cognitive behavioral therapy, paid transitional jobs, and support services.
- \$500,000 for expansion of Targeted Community Investment Grants to fund the community and grassroots groups.
- \$1.3 million for community improvements including graffiti cleanup, vacant lot remediation, clean and seal efforts, and improved lighting and visibility in key neighborhoods.

Health Equity for All

Mayor Kenney seeks to build a thriving city that ensures the health of all communities, eliminates disparities and safeguards residents from threats that cause disease and injury. The health of Philadelphians has been stressed as never before with the pandemic, and the ongoing epidemics of gun violence and opioids. While the effects of these diseases are felt in every neighborhood of the City, they each affect Black and Brown Philadelphians most severely.

During the life of the Plan, the City will redouble its efforts to eliminate health disparities and safeguard residents from threats that cause disease and injury. In FY22, the Department of Public Health (DPH) will create a strategy to Improve Racial Equity in Health Outcomes to address the unacceptably high rates at which Black and Brown Philadelphians suffer from hypertension, diabetes, cancer, asthma, and maternal mortality.

In addition to prioritizing the physical health of residents, addressing mental health concerns, including those exacerbated by the pandemic, is critical for Philadelphia's recovery. DBHIDS will continue to make large investments in Philadelphians' behavioral health with its total budget of \$1.57 billion, most of which is federal and state Medicaid funds to fulfill its commitment to serving as the Medicaid behavioral health insurer of more than 600,000 Philadelphians.

Because the opioid crisis has only worsened because of challenges caused by the pandemic, the Plan allocates a \$500,000 investment in the Opioid Response Unit to spearhead our multi-departmental effort and strengthen the City's ability to use data to continue to make sure we are best tackling the problem in neighborhood 'hot spots'. We will also increase funding for opioid treatments by \$400,000.

The City will continue to advance policies and programs to create cleaner air and water and to reduce our carbon footprint. This includes our commitment to reduce harmful emissions from buildings and transportation to 28 percent by 2025 and net zero emissions by 2050. In FY22 the Office of Sustainability will receive an additional \$50,000 to support municipal energy audits. The Department of Public Health

will grow its Air Management Services program, dedicated to ensuring Philadelphians have clean air to breathe, funded by new revenue permits and annual licenses for boilers and generators in facilities across Philadelphia.

Inclusive Economy and Thriving Neighborhoods

Prior to the pandemic, Philadelphia was experiencing a period of transformative economic growth, contributing to a reduction in the city's poverty (23.3% in 2019) and unemployment rates (5.2% in 2019), as well as rising median incomes and job growth that outpaced the national average. While we were progressing, the COVID-19 pandemic laid bare Philadelphia's wealth gap and economic inequality for people of color and low wage workers.

To grow wealth in Black and Brown communities, the Mayor is committed to building the capacity, capital, and success of Black and Brown businesses and to creating the economic conditions to help Philadelphia emerge as a stronger and more equitable city. In FY22-26, the City will invest \$55 million in economic stimulus with the Philadelphia Industrial Development Corporation (PIDC) focused on, amongst other activities, supporting commercial corridors and small businesses of color to access capital and growth. To get Philadelphians back to work and into higher-paying jobs, the City will invest \$3 million in FY22 and \$9 million over the next three years, in workforce development grants working with Philadelphia Works to leverage public workforce dollars and scale impact. The City will support a Tech Industry Partnership and an Entrepreneurship Industry Partnership to build capacity and workforce pipelines for Black and Brown communities into these high-paying industries.

To spur economic recovery, the FY22-26 Five Year Plan proposes no tax or fee increases and specifically includes reductions in both the Wage and BIRT taxes. The pandemic has also laid bare the City's reliance on the Wage Tax as a main source of City revenue and reducing reliance on this very volatile tax will be a priority going forward. The Plan includes \$186 million in Wage Tax cuts, bringing the Wage Tax to its lowest level in 50 years. This includes the biggest Wage Tax cut in more than a decade with a deeper cut planned for FY22 than had been planned before the pandemic to support economic growth. The BIRT reductions will restore the cuts to the level planned for this year prior to the pandemic.

Improvements and investments in the quality of life of neighborhoods, commercial corridors, parks and Center City are critical to making Philadelphia a more attractive and accessible city. In FY22, the City will invest \$132 million in its curb ramps, streets, and crosswalks, a \$100 million increase that will fund the Streets Department's goal of upgrading or repairing over 6,000 ADA ramps and paving 115 miles of streets and crosswalks, ensuring Philadelphia is accessible to all residents and visitors. These improvements will position Philadelphia as a city that is attractive and affordable for remote workers to locate, live, and play.

This Plan puts Philadelphia on a pathway to being a cleaner city by expanding street sweeping, an initiative cut in the FY21 budget that can now be restored. The Streets Department will receive \$62 million over the next five years to expand mechanical street sweeping into neighborhoods that experience the highest concentrations of litter, with a focus on neighborhoods of color. These investments will be accompanied by funding to sustain the Taking Care of Business commercial corridor cleaning initiative in FY22.

During the COVID-19 pandemic, the City worked hard to maintain safe and open access to its parks, recreation centers, and libraries in accordance with Department of Public Health guidance. Philadelphia Parks and Recreation (PPR) saw record numbers of users as residents and visitors relied on the trails, parks and playgrounds for recreation, physical exercise and mental health and PPR expects that to continue in FY22. In FY22-26, PPR will receive an additional \$6.8 million to restore recreation centers hours and reopen all pools citywide, and \$1 million in capital funding for REBUILD library projects, in addition to using bond funds supported by the Philadelphia Beverage Tax.

In FY22-26, the Plan bolsters Arts and Culture funding after forced cuts in FY21. In FY22, the Cultural Fund will receive an additional \$1 million, doubling the Fund to \$2 million with a total of \$10 million over the five year plan. The City will also fund the African American Museum at \$150,000 and Mural Arts will receive an additional \$150,000 for the Same Day Pay ‘Color me Back’ program and \$50,000 for Restorative Justice.

Diverse, Efficient and Effective Government

The Administration will ensure financial stability, accelerate greater efficiency and modernization of services and access in the wake of the global pandemic, further diversify its workforce and contracts, and adopt a racial equity lens across City policies and services.

In FY22, the Administration will further implement Executive Order 1-20, which embeds racial equity as an explicit governing principle—a lens all City departments will use to assess how their operations, policies, and procedures impact all Philadelphians, including people of color. Priorities and reforms will also be informed and shaped by the Pathways to Reform, Transformation, and Reconciliation Committee established in June 2020.

The City will continue to assess how we can strengthen our operations, innovate to expand access and improve service delivery, while also being more efficient in a remote environment. In FY22, the City is also seeking efficiencies and has enacted five percent budget cuts to most back-office functions, in areas like Fleet, Finance, Revenue, and Human Resources. The City is also preparing for more innovation and agility in our services and has set aside \$10 million for the Operations Transformation Fund over the next two years to redesign City operations and services to efficiently serve businesses and residents, available in FY22-23.

Through these investments, and the others included in the FY22 Budget and FY22-26 Five Year Plan are intended to help Philadelphia continue to respond and recover from the COVID-19 pandemic, and rebuild a more equitable city for all of our residents. Thank you for the opportunity to testify today, and we look forward to working with all members of Council throughout this Budget process.

All of us here representing the Administration are available to answer the questions that you may have, including on the Mayor’s Office and Department of Labor budgets, for which we have submitted written testimony.